



EZ Prime Mortgage Program & Underwriting Guidelines

August 16, 2021

EZ Prime Mortgage Program & Underwriting Guidelines



EZ Prime

Effective Date:
08/16/2021

Primary Residence & Second Home			
	LTV	FICO	Reserves
Purchase Rate & Term Refinance	80%	740	60 months
		700	84 months
Primary Residence & Second Home			
	LTV	FICO	Reserves
Cash Out Refinance	75%	740	60 months
		700	84 months
Maximum Loan Amounts			
All LTVs based on grid above	\$3,000,000		
Additional Financed Properties			
Each additional financed property owned requires 2 months additional reserves of each property's PITIA			

Products		
5/6m ARM, 7/6m ARM & 10/6m ARM, 30 Yr Fixed, 40 Yr Fixed 5/6m ARM IO, 7/6m ARM IO & 10/6m ARM IO, 30 Yr Fixed IO, 40 Yr Fixed IO		
I/O feature available for fixed period of ARM or 10 years on 30 Yr or 40 Yr Fixed Rate Product		
ARM Margins & Caps		
5/6 Month ARM	Margin: 2.75	Caps 2/2/5
7/6 Month ARM	Margin: 2.75	Caps 5/2/5
10/6 Month ARM	Margin: 2.75	Caps 5/2/5
Index = 30 Day Avg SOFR Floor = Start Rate		
Credit Requirements		
Mortgage History	0 x 30 x 12	
Foreclosure Seasoning	48 months	
Short Sale/DIL Seasoning	48 months	
BK Seasoning	48 months	

Additional Program Requirements	
Appraisal	Loan amounts over \$1,500,000 automatically require two appraisals. Every appraisal requires a Desk Review. Properties with a condition rating of C5 or C6 or a quality rating of Q6 are not acceptable.
Assets	Sourced and seasoned for 30 days
Cash Out	Max cash in hand is \$2,000,000. Texas 50(a)(6) loans not permitted.
Citizenship	US Citizen, Permanent Resident Alien & Non-Permanent Resident Alien (with US credit)
Compliance	See guidelines for Escrow requirements • Compliance with all applicable federal and state regulations No section 32 or state high cost • "Total borrower paid points and fees up to 5%"
Credit	Standard: One (1) tradelines reporting for 24+ months or two (2) tradelines reporting for 12+ months all with activity in the most recent 90 days
Mortgage History	0 x 30 x 12. Current or recent Forbearance reported in the most recent twelve (12) months is not permitted.
Occupancy	Primary Residence and Second Homes
Prepayment Penalty	Not allowed.
Property Types	SFR, PUD, Townhome, Condominium, , 2-4 Unit, Modular, Rural & Log Homes. Non-Warrantable condominiums and manufactured homes are not eligible.
Qualifying Rate	Fixed = Note Rate; ARM: 5/6m = Greater of Note Rate or Fully Indexed Rate; 7/6m & 10/6m = Note Rate
Reserves	Follow grid above.
Subordinate Financing	Max 85% CLTV. Secondary financing must be institutional. Seller carrybacks are not permitted.
Seller Concessions	Up to 6%

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IV. EZ Prime Mortgage Loan Terms

Loan Types	<ul style="list-style-type: none"> • 5 Year Fixed Rate ARM • 7 Year Fixed Rate ARM • 10 Year Fixed Rate ARM • 30 Year Fixed Rate • 40 Year Fixed Rate
Loan Term	360 months, 480 months
Payments	Payments, unless otherwise required, are interest only minimum payment for the fixed period of the ARM or first 10 years on Fixed Rate product, and then fully amortized for the remaining life of loan.
ARM Index	30 day avg SOFR
Floor Rate	Start Rate
ARM Margin	2.750% - Subject to any loan level margin adjustments
ARM Interest Rate Caps	<ul style="list-style-type: none"> • 5/6 Month ARM 2/2/5 Caps • 7/6 Month ARM 5/2/5 Caps • 10/6 Month ARM 5/2/5 Caps
Prepayment Penalty	None
Balloon Payment	None
Impound Account	Required
Minimum Loan Amount	\$100,000
Eligible States	Arizona, California, Colorado, Florida, Georgia, Hawaii , Idaho, Illinois, Iowa, Kansas, Kentucky , Louisiana, Michigan, Minnesota, Montana, New Mexico, Ohio, Oregon, South Carolina , Tennessee, Texas, Utah, and Virginia
State Specific Restrictions	<p>Colorado: All loan transactions require the following:</p> <ul style="list-style-type: none"> • Fully executed Colorado LO Reasonable Inquiry Attestation • HUD Counseling Certification from the Colorado Housing Assistance Corporation <p>Illinois: Allowed provided payment is based on fully indexed rate</p> <p>Texas: Interest Only prohibited. Texas 50(a)(6) loans not permitted.</p> <p>Ohio: Interest Only prohibited on Adjustable-Rate (ARM) loans</p>

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V. EZ Prime Mortgage Program Eligibility & Credit Guidelines

A. Eligible Transactions

Eligible Transactions	Requirements
Purchase	Maximum 80% LTV
Rate & Term Refinance	<p>Maximum 80% LTV. Borrower proceeds limited to 2% of loan amount.</p> <p>Any subordinate loan not used in the initial acquisition of the subject property is eligible for payoff should one of the following apply:</p> <ul style="list-style-type: none">• Closed end loan, at least 12 months seasoning has occurred; or• HELOC, at least 12 months of seasoning has occurred and total draws over the most recent 12 months are less than \$2,000. HELOC must be closed.
Cash Out Refinance	<p>Maximum 75% LTV.</p> <p>Cash out Seasoning of less than (6) months is not permitted unless the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation).</p> <ul style="list-style-type: none">• If the property was owned by a LLC that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted towards meeting the borrower's six month ownership requirement.• If the property was owned by an inter vivos revocable trust, the time held by the trust may be counted towards meeting the borrower's six month ownership requirement if the borrower is the primary beneficiary of the trust. <p>Loans not eligible for cash-out:</p> <p>A prior cash out transaction within the last 12 months, unless a documented benefit exists.</p>
Debt Consolidation	<p>Cash out transactions meeting the following additional requirements may be treated and priced as Rate & Term transactions:</p> <ul style="list-style-type: none">• Borrower is to receive zero cash in hand (loan proceeds are to be applied solely to debt payoff only)• The Closing Disclosure must reflect the paid off debts

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Delayed Financing Option

Borrowers who purchased the subject property within the past 6 months are eligible for a cash out refinance if all of the following requirements are met:

- The original purchase was arm's-length.
- The original purchase is documented by a title search and final settlement statement confirming no mortgage financing was used to obtain the subject property.
- The source of funds for the original purchase are documented.
- If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement must reflect that all cash out proceeds are used to pay off the loan used to purchase the property.
- Property value is based on the lower of the initial purchase price or current appraised value. The new loan amount cannot exceed the actual documented amount of the borrower's initial investment plus the financing of closing costs, prepaid fees, and points on the new mortgage.

All other rate & term refinance eligibility requirements are met. Rate & Term pricing applies.

Secondary/Subordinate Financing

Allowed up to 85% max CLTV.

- Secondary financing must be institutional. Seller-held subordinate liens are not permitted.
- Existing secondary financing must be subordinated and recorded or refinanced, paid off or closed. HELOC CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation the line of credit is past its draw period.
- Unacceptable forms of subordinate financing include mortgages with negative amortization and/or mortgages due and payable within the next 5 years. Subordinate mortgages due within the next 5 years may be allowed if borrower provides sufficient assets to cover the amount due.

TILA High Priced Mortgage Loan

Allowed, subject to TILA HPML requirements.

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B. EZ Prime Mortgage Eligibility Grids:

Primary Residence & Second Home	LTV/CLTV	FICO	Reserves ^①
Purchase Rate & Term	80%*	740	60 months
		700	84 months
Primary Residence & Second Home	LTV/CLTV	FICO	Reserves ^①
Cash Out	75%*	740	60 months
		700	84 months
Maximum Loan Amounts			
All LTVs based on grid above	\$3,000,000		
Additional Financed Properties			
Each additional financed property owned requires 2 months additional reserves of each property's PITIA			

① EZ Prime Reserve Calculation Index: 1 month reserve = 1 month PITIA. **ARM loans – reserves are based upon initial PITIA, not the qualifying payment. Reserves for a loan with an Interest Only feature are based upon the Interest Only payment.**

C. Borrower Eligibility

Borrower Type	Requirements
<p>U.S. Citizens An individual who was born or naturalized as a citizen of the United States.</p>	<p>Must have a valid Social Security Number.</p>
<p>Permanent Resident Aliens (Green Card) An individual legally authorized to reside and work in the United States indefinitely.</p>	<p>Legally authorized to reside and work in the United States indefinitely.</p> <ul style="list-style-type: none"> • Must have a valid Social Security Number • A fully executed Certification of Resident Alien Status Form must be provided at the time of submission
<p>Non-Permanent Resident Aliens An individual employed in the United States but does not have a green card.</p>	<p>Valid Social Security Number is required. The borrower's current visa must meet lender requirements and have a minimum of one year remaining prior to expiration.</p>
<p>Max Number of Borrowers Allowed</p>	<p>4 Borrowers. Greater than 4 borrowers considered on a case-by-case basis.</p>

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Ineligible Borrowers

- Diplomats, Diplomatic Immunity
 - Applicants with temporary protected status (i.e. DACA, Asylum)
 - Irrevocable Trusts
 - Land Trusts
 - Limited or general partnerships (LLC)
 - Corporations, S Corporations
-

D. Property Eligibility

Eligible Properties

- Primary Residences
 - Second Homes
 - must be occupied by the borrower some portion of the year
 - must be located a reasonable distance from the borrowers current residence
 - restricted to one-unit dwellings
 - the borrower must have exclusive control over the property
 - must not be a rental property or a timeshare agreement
 - 1-4 Unit Residential Properties
 - Condominiums
 - Fannie Mae warrantable up to max LTV per eligibility grid
 - Agriculturally/Rural Zoned Properties
 - Working farms, ranches or orchards are ineligible.
 - Acreage limited to 40 acres max
-

Ineligible Properties

- Investment Properties
 - Non-Warrantable Condominiums
 - Condotels
 - Co-Ops
 - Manufactured / Mobile Homes
 - Zoned Retail / Commercial
-

Condominiums

Follow review process as required by Fannie Mae.

Hazard Insurance

The insurance coverage should reflect one of the following:

- 100% of the insurable value of the improvements, as established by the property insurer; or
 - 100% of the Total Estimate Cost-New per the appraiser; or
 - the unpaid principal balance of the mortgage, as long as it is at least equals the minimum amount – 80% of the insurable value of the
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improvements – required to compensate for damage or loss on a replacement cost coverage.

E. Vesting Eligibility

Vesting Type	Requirements
Individual / joint Tenant	Acceptable
Community Property	Acceptable
Tenants in Common	ALL parties must be borrowers on the transaction.
Power of Attorney	<ul style="list-style-type: none">• Acceptable for rate/term refinance, no cash out and purchases per Fannie Mae requirements.• Must be “specific” and reference the loan transaction.• POA needs to be notarized within 60 days of note date
Revocable Trust / Inter-Vivos	A completed Trust and / or Trust Certification. At least one borrower on the transaction must be the Trustor (Settlor) and a Trustee.
Ineligible Vesting	<ul style="list-style-type: none">• Tenants in Common with parties who are NOT borrowers on transaction• Irrevocable Trust, Qualified Personal Residence Trust (QPRT)• Corporation or LLC

F. Appraisal Eligibility

Appraisal Items	Requirements
Appraisal Ordering	All appraisals must be ordered and completed by a Change Wholesale approved appraiser or AMC, in accordance with Appraisal Policy. Full Interior / Exterior appraisal required.
Second Appraisal	A Second Appraisal from a Change Wholesale approved appraiser or AMC is required when the loan amount exceeds \$1,500,000. When a second appraisal is provided, the transaction’s “Appraised Value” will be the lower of the two appraisals. The second appraisal must be from a different company and appraiser than the first appraisal.
Appraisal Review	All appraisals require an acceptable, pre-closing, third-party desk appraisal review by an approved vendor in accordance with Appraisal Policy.

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Distressed Markets If an appraiser identifies a property as “distressed”, it must be determined whether any deterioration is material and impactful to the overall value of said property. A minimum reduction of the maximum program LTV will be applied, additional reduction will be subject to underwriter discretion.

Property Flipping For all HPML transactions only where the subject property was purchased by the seller within 6 months of the application date where the contract price exceeds the seller’s acquisition price by the following:

- More than a 10% price increase if the seller acquired the property in the past 90 days or
- More than a 20% price increase if the seller acquired the property in the past 91-180 days

A Second appraisal is required from a Change Wholesale approved AMC:

- Second appraisal must be dated prior to the loan consummation/note date; and
- Property seller on the purchase contract must be the owner of record

Increases in value should be documented with commentary from the appraiser and recent comparable sales

Appraisal Age All appraisals must be dated within 120 days from the closing / funding of loan. At 121 days, a new full appraisal is required.

Loan to Value (LTV) Purchase Transactions – LTV equals the lesser of the purchase price or appraised value.

Refinance Transactions – If seasoned ownership is 12 months or greater, current appraised value is used. If the seasoned ownership is less than 12 months, use lesser of original purchase price or current appraised value.

G. Credit Eligibility

Credit Items

Requirements

Minimum Credit Score FICO ≥ 700

Tradelines Requirement Two (2) tradelines reporting satisfactorily for 12+ months or one (1) tradeline reporting satisfactorily for 24+ months all with activity in the most recent 90 days.

The following are not acceptable tradelines:

- “Non-Traditional” credit as defined by FNMA
 - Any liabilities in deferment status
 - Accounts discharged through bankruptcy
 - Authorized User Accounts
 - Self-Reported Utilities
-

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- Charge-offs or collection accounts
 - Foreclosures, deed-in-lieu of foreclosure, or short sales
-

Housing History

Most recent 12 month's mortgage/rental history is required.

- VOM required on refinance transactions. If property is owned free and clear, no VOM is required. Mortgage being paid off through the transaction must be current, cannot be currently past due. 0 x 30 in the last 12 months. All disclosed mortgage payment history is subject to review at Underwriter discretion.
 - For VOMs tied to private mortgages – a copy of the original note plus any additional riders or subsequent modifications is required to ensure the loan being paid off is current. If a VOM is not available then 12 months recent canceled checks will be required.
 - VORs are to be documented as follows:
 - Direct verification of the payment of rent from the landlord. Direct landlord verification is acceptable whether the landlord is an individual or a professional management company.
 - Canceled checks can be provided but are not necessarily always required. In lieu of canceled checks the borrower pay provide bank statements, copies of money orders, or other reasonable methods for documenting the timely payment of rent. The documentation must clearly indicate the payee and amount being paid, and reflect that the payments were made on a consistent basis.
 - Borrowers who current live rent free are permitted with supporting documentation, such as a fully executed rent free letter of explanation from the current legal owner of the property the borrower is residing in.
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Forbearance

Current or recent forbearance reported within the most recent 48 months is not permitted.

Foreclosures, Short/Deed-in-Lieu Sales

A four (4) year waiting period is required. The major derogatory events require a letter of explanation from the borrower. The situation causing the event must have been adequately documented as resolved. Compensating documentation may be required at the underwriter's discretion. The seasoning requirement is measured from the settlement date to the note date.

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Bankruptcies	A four (4) year waiting period is required. Must be fully discharged/dismitted. A letter of explanation is required from the borrower. Compensating documentation may be required at underwriter's discretion. The seasoning requirement is measured from the settlement date to the note date.
Judgements	Must be paid at time of closing. Acceptable LOE is required.
Tax liens	Acceptable, proof of release. A letter of explanation is required from the borrower. Compensating documentation may be required at underwriter's discretion.
Derogatory Credit	LOE required for any derogatory credit reporting within the last 24 months. Compensating documentation may be required at underwriter's discretion.
Collections	Acceptable, all open collections reporting in the most recent 24 months totaling more than \$5,000 must be paid in full prior to or at closing. LOE required. Compensating documentation may be required at underwriter's discretion. Medical collections not included.
Schedule of REO	Initial 1003 must reflect a complete Schedule of Real Estate for all properties owned by the Borrower and must also include the full PITIA validation for each property.

H. Verification of Asset Eligibility

Verification of Assets	Requirements
Verification of Down Payment and/or Reserves	<ul style="list-style-type: none">• Reserves are calculated after considerations for required down payment when applicable.• 100% value of stocks, bonds, mutual funds, vested 401k and vested retirement accounts are acceptable sources of down payment and/or reserves. Proof of liquidation will be required if using towards down payment.• Must provide API data or most recent 1 month third-party statement in borrower's name to meet down payment and/or reserves requirement. Documentation provided must, at minimum, validate the current month's beginning balance, total deposits, total withdrawals, and current month's ending balance. Assuming this required information is provided, all pages of the statements may not be required.• Must provide source of funds for any recent significant deposits. A significant deposit is defined as 10% or more of the loan amount.

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- Business funds are acceptable, must show proof of ownership. Will calculate and use the funds equal to the documented percentage of ownership.
 - Assets held in foreign accounts may not be used as a source of funds to close or for reserves. These funds must be transferred to a U.S. banking institution account in the Borrower's name and seasoned at least thirty (30) days prior to closing.
 - **Cryptocurrency is not permitted for down payment or reserves.**
 - Gift funds are not permitted for down payment or reserves.
 - Cash out from transaction cannot be used to meet reserve requirement.
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Seller Credit

Seller credit not to exceed 6% on purchase transactions.

I. Homeowner Education

Counseling Requirement on all transactions:

Borrower Paid Cost (POC)

Framework Online Homebuyer Course

\$75
